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This Week in Canadian Agriculture, Issue 40 2005

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Report Highlights:

* Agreement Reached on Federal Grain Cars * CWB Plans to Buy More Grain Cars * Feed Demand Higher in 2005/06 * Pork Council Urges Canadian Government to "Make the Most of Hong Kong" * Canadian Forest Products Industries Face Tough Issues and Trade Realities

Includes PSD Changes: No
Includes Trade Matrix: No
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This Week in Canadian Agriculture is a weekly review of Canadian agricultural industry developments of interest to the U.S. agricultural community. The issues summarized in this report cover a wide range of subject matter obtained from Canadian press reports, government press releases, and host country agricultural officials and representatives.

Disclaimer: Any press report summaries in this report are included to bring U.S. readership closer to the pulse of Canadian developments in agriculture. In no way do the views and opinions of these sources reflect USDA's, the U.S. Embassy's, or any other U.S. Government agency's point of view or official policy.

AGREEMENT REACHED ON FEDERAL GRAIN CARS: The Government of Canada (GOC) recently announced that an agreement in principle has been reached regarding the sale of the federal hopper car fleet. According to terms of the deal, the GOC has agreed to lease the approximately 12,000 hopper cars to the Farmer Rail Car Coalition (FRCC) for five years, leading to a permanent transfer at the end of that period. The transfer price will be C\$205 million (\$175 million), consisting of lease payments over five years totaling C\$65 million (\$56 million), a credit of C\$35 million (\$30 million) for car refurbishment work to be done by FRCC, and a final payment of C\$105 million (\$90 million) over a further eight-year period. The GOC had announced in March its plans to negotiate a transfer of the cars to the FRCC (see CA5018). The FRCC was very pleased with the agreed upon deal. The lease-purchase agreement will be finalized in 2006, following the confirmation that the FRCC has agreements in place with both the national railways (Canadian National Railway and Canadian Pacific Railway) for the use of the cars. *Post Comments:* The transfer of the federal hopper cars to the FRCC has not been looked upon favorably by many of the farm groups in Western Canada or the national railways. The recent election call could put the deal in jeopardy if a new ruling party is elected in January.

CWB PLANS TO BUY MORE GRAIN CARS: According to the Canadian Wheat Board (CWB), the Board is planning on purchasing an additional 1,660 grain hopper cars to add to its current fleet. The CWB currently leases the cars to help move farmers' grain to market and port. By purchasing the cars, the CWB will be increasing its hopper car fleet to 3,510. According to the CWB, owning the cars gives farmers, through the CWB, the opportunity to exercise more control over car supply. In addition, it may help the CWB in negotiating rates and service with the railways. The CWB also indicated that it was pleased with the purchase of the government hopper car fleet by the FRCC. The CWB has long been an advocate for the FRCC. The purchase value of the CWB's cars will only be disclosed after the deal is concluded and will be included in the CWB annual report.

FEED DEMAND HIGHER IN 2005/06: Agriculture and Agri-Food Canada's Market Analysis Division released a report on Canada's feed barley situation and outlook and reported that, for 2005-2006, Canadian domestic feed use of barley is expected to increase to 9.8 MT from 9.3 MT last year. Cattle and hog inventories increased from the year earlier period. The opening of the US border to Canadian beef and live cattle of less than 30 months of age and lower availability of feed quality wheat are expected to raise feed barley demand. However, larger domestic supplies of barley with below average quality, lower US corn prices, and the strong Canadian dollar are projected to depress the Lethbridge feed barley price to C\$110 per MT, the lowest in 10 years. For exports, despite lower world corn prices, world feed barley prices strengthened early in the crop year because of tighter exportable supplies from major exporters. The impact of the on-going countervailing and anti-dumping investigation against unprocessed corn from the United States is as yet not influencing prices for corn and feed barley. It is anticipated that a decision against U.S. corn will support prices in Canada.

PORK COUNCIL URGES CANADA TO "MAKE THE MOST OF HONG KONG": Clare Schlegel, President of the Canadian Pork Council, released a statement that said Canada must make the most of the upcoming WTO Ministerial meeting to reinvigorate the Doha Round effort toward more liberalized trade. Schlegel said, "It appears unlikely that agreement will be reached on the exact size of tariff cuts and other 'modalities' as had been hoped earlier. However, it is critically important for Canada's growing international pork export business that the Hong Kong meeting arrives at a clear commitment to complete the Doha Round within as short a time frame as possible, and still achieve its original objectives of reform and liberalization of trade policies." Schlegel noted that the WTO has played a vital role for Canadian pork producers, allowing Canada to expand sales to many countries to which Canada shipped little or no pork prior to the Uruguay Agreement being signed. This year, the value of Canadian pork exports is projected to be reach almost C\$3 billion. This compares with less than C\$1 billion 10 years earlier.

CANADIAN FOREST PRODUCTS INDUSTRIES FACE TOUGH ISSUES AND NEW TRADE

REALITIES: Canada remains one the largest exporters of forest products in the world, accounting for about 16% of world trade. In 2004, Canada exported C\$44.6 billion (\$38.2 billion) of softwood lumber, wood pulp, newsprint, wood-based panels (structural), other wood products, builder joinery and carpentry, wood-based panels (non-structural), and other paper and paperboard. Softwood lumber production is forecast to increase in 2006 as a result of the increase in allowable annual cut in several timber supply areas in British Columbia, due to the Mountain Pine Beetle infestation. Total exports of softwood lumber, valued at C\$9.9 billion (\$8.5 billion) during 2004 are forecast to increase slightly as production increases and export demand remains strong. The U.S. is the primary market for Canadian forestry and value-added wood and manufactured products, but Canadian producers and processors are losing market share in the U.S. due to increased competition from places like China and Asian Pacific countries. For more on developments within the Canadian forestry sector, see the upcoming Solid Wood Products annual report, CA5065, available soon on the FAS website.

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